

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SS-15 NSC-05 EB-08 TRSE-00 OMB-01

CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 PRS-01 SP-02

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 9496

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UNCLAS SINGAPORE 0414

E.O. 11652: N/A

TAGS: EFIN, SN, US

SUBJECT: FURTHER PRESS REACTION TO PRESIDENT'S TAX
DEFERRAL PROPOSAL

REF: (A) SINGAPORE 0389, (B) SINGAPORE 0368

1. SINGAPORE'S "STRAITS TIMES" WHICH YESTERDAY COMMENTED
ON THE PRESIDENT'S BUDGET AS A WHOLE, TODAY FOCUSSED ITS
EDITORIAL ON THE PRESIDENT'S TAX DEFERRAL PROPOSAL. FULL
TEXT FOLLOWS:

2. "PRESIDENT CARTER'S PLAN TO END TAX DEFERRAL PRIVILEGES
TO SUBSIDIARIES OF U.S. MULTINATIONAL CORPORATIONS HAS BEEN
IN OFFING FOR SOME TIME AS HIS ADMINISTRATION WRESTLES
WITH PROBLEMS OF UNEMPLOYMENT AND TAX REFORMS. IT IS BOUND
TO CAUSE MUCH UNHAPPINESS AMONG U.S. INVESTORS DOING OR
PLANNING TO DO BUSINESS ABROAD. AMERICAN FIRMS OVERSEAS
WOULD IMMEDIATELY HAVE TO PAY 50 PERCENT CORPORATION TAX
ON THEIR PROFITS WHEREAS UNDER PRESENT LAW THEY CAN DEFER
PAYMENT OF U.S. TAX ON FOREIGN EARNED PROFITS UNTIL
THESE ARE REPATRIATED TO U.S. AS DIVIDENDS. IT WILL
ALSO WIPE OUT IN ONE FELL BLOW BENEFITS OF TAX HOLI-
DAYS AND OTHER CONCESSIONS GIVEN BY GOVERNMENTS OF
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HOST COUNTRIES, THEREBY MAKING OVERSEAS VENTURES LESS
ATTRACTIVE TO PROSPECTIVE U.S. INVESTORS.

3. "CRUX OF CARTER ARGUMENT IS THAT BY PUTTING END
TO SUCH CORPORATE TAX SUBSIDIES, AMERICAN BUSINESS-
MEN WOULD BE ENCOURAGED TO LOOK NEARER HOME TO INVEST
AND THUS CREATE JOBS FOR AMERICAN WORKERS. IN EFFECT

PRESIDENT HOPES TO KILL TWO BIRDS WITH ONE STONE:

CARRY OUT HIS CAMPAIGN PROMISE TO REDUCE U.S. UNEMPLOYMENT AND CORRECT WHAT HE SEES AS ANOMALIES IN EXISTING TAX PROGRAMS WHICH ARE BENEFITING LARGER U.S. CORPORATIONS IT IS DEBATABLE, HOWEVER, WHETHER CREATING DISINCENTIVE FOR INVESTING ABROAD CAN PERSUADE U.S. BUSINESSMEN TO PLOUGH THEIR INVESTMENTS INTO HOME GROUND. DECISION TO INVEST OR NOT IS DICTATED BY MANY FACTORS AND PRESENTLY U.S. BUSINESS SEEMS TO BE UNDER PALL OF UNCERTAINTY. WHAT IS CERTAIN IS THAT ANY REDUCTION IN FLOW OF FOREIGN INVESTMENTS WILL HAVE FAR-REACHING REPERCUSSIONS ON DEVELOPING COUNTRIES. IN LONG-RUN EFFECTS OF WIDESPREAD UNEMPLOYMENT ABROAD WILL ALSO REBOUND ON U.S. MORE JOBS CANNOT BE GENERATED IN U.S. INDUSTRIES IF THEY CANNOT FIND CUSTOMERS FOR THEIR PRODUCTS IN FOREIGN MARKETS. U.S. CANNOT AFFORD TO BE OSTRICH-LIKE AND IGNORE LIKELY EFFECTS THAT ITS ECONOMIC POLICY SHIFTS WILL HAVE ON DEVELOPING COUNTRIES."

HOLDRIDGE

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